In 1987, I was promoted into the Carrier and Regulatory Services group as a Separations/ Settlement Administrator performing Federal and Intrastate access/toll pool settlement, reporting and revenue budgeting functions. I was promoted to Manager - Pricing in June, 1989 where I performed FCC regulatory reporting and filing functions related to the United Telephone - Midwest Group Interstate Access revenue streams. In 1991, I was promoted to Senior Manager - Revenue Planning for United Telephone - Midwest Group. While serving in this position, my responsibilities consisted of numerous FCC regulatory reporting and costing functions. In 1994, I accepted a position within the Intrastate Regulatory operations of Sprint/United Telephone Company of Missouri where my responsibilities included regulatory compliance, tariff filings, and earnings analysis for the Missouri company's intrastate operations. Since December 1994, I have set-up and directed a work group which performs cost of service studies for retail services, wholesale unbundled network elements cost studies, and state and federal Universal Service Fund cost studies. Over the last seven years, I have been charged with developing and implementing cost study methods which conform with Total Service Long Run Incremental Cost ("TSLRIC") and Total Element Long Run Incremental Cost ("TELRIC") methodologies. I am responsible for written and oral testimony, serving on industry work groups, and participating in technical conferences related to TSLRIC/TELRIC costing methodology, filing of studies within 18 individual states that comprise Sprint's Local Telephone Division (LTD) and providing cost expertise to Sprint's participation in regulatory cost dockets outside of the LTD territories.

Q. *Have you previously testified before state regulatory commissions?*

A. Yes. I have testified before the Florida, Nevada, North Carolina, Texas, Kansas, Missouri, Georgia, and Wyoming regulatory commissions regarding TSLRIC/TELRIC cost matters.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support Sprint witness Dr. Brian Staihr's response to issue 5f, which states, "For each market, what is the appropriate cut-off for multiline DS-0 customers (where it is more economic to serve a multiline customer with a DS-1 loop)?" My testimony provides the calculations used to determine the economic crossover between provisioning DS-0 (voice grade) loops and DS-1 loops.

Q. Has Sprint developed an economic crossover analysis?

A. Yes. Exhibit KWD-1, attached to my testimony, calculates the average economic crossover a competitive local exchange carrier (CLEC) would experience in serving the an analog customer in the territories of the three largest incumbent local exchange carriers (ILEC) within the state of Florida based on the number of analog voice lines used by the customer.

Q. What is the appropriate cut-off for multiline DS-0 customers (where it is more economic to serve a multiline customer with a DS-1 loop)?

A. The model results indicate that up to 12 DS-0s at a customer's location, purchasing individual loops is more cost effective than purchasing single DS-1.

Q. What are the cost components in the economic cost crossover model for the provision of service over a DS-1 facility?

A. Our model includes the monthly recurring charges of the unbundled network element DS-1 loops, the unbundled network element non-recurring charges for DS-1 loops, and the monthly costs of a channel bank installed at the customer's premises used to multiplex multiple voice channels onto a DS-1 loop facility.

Q. What are the cost components in the economic cost crossover model for the provision of service over a DS-0 facility?

A. The model includes the monthly recurring charges of the unbundled network element DS-0 loops and the non-recurring charges for unbundled network element DS-0 loops. The non-recurring charges reflect the charges for the initial DS-0 loop and each additional loop ordered.

Q. What are the sources of unbundled network element prices for the monthly recurring services and the non-recurring services?

A. All unbundled network element prices are Florida Commission approved from Docket No. 990649-TP. Order No. PSC-02-1311-FOF-TP was used for BellSouth's UNE prices, Order No. PSC-02-1574-FOF-TP was used for Verizon's UNE prices, and Order No. PSC-03-0058-FOF-TP was used for Sprint's UNE prices.

Q. What is the source of the access line data used to determine the weighted average UNE prices?

A. The access line data are from the HCPM adjusted with USAC lines in service. HCPM provided lines by wirecenter as of 2000. For each company in the study, the difference between the lines in HCPM and lines in USAC was applied to the

wirecenter level line counts to determine a more current estimate of access lines for the studied ILECs.

Q. What additional variables are included in the calculations?

A. A weighted average cost of capital input is used for amortizing the non-recurring charges. The weighted average cost of capital is the same 12.26 percent that was supported by Dr. Staihr in Docket No. 990649-TP.

Q. How are the non-recurring unbundled network element costs treated in the economic crossover analysis?

A. The non-recurring unbundled network element charges for establishing DS-0 or DS-1 services are amortized over a 24 month period using Sprint's weighted cost of capital. For our modeling, we have assumed a 24 month average customer life.

Q. How is the monthly cost of the channel bank at a DS-1 customer premises calculated?

A. The monthly cost of the equipment is calculated by dividing the total material cost of the over the life of the asset, accounting for Sprint's cost of capital, nine year depreciation life, income tax, maintenance, and sales tax of 7 percent.

Material prices reflect the size of the channel bank and cards that would be installed at a customer premises capable of multiplexing one DS-1 into DS-0s. The material was amortized using Sprint's annual cost factors from Docket No. 990649B-TP (except for the cost of capital which was changed to 12.26 percent as previously described). Labor related to the installation of the customer premises

channel bank was amortized over 24 months.

Q. How are these cost components used to calculate a state-wide average crossover between unbundled *DS-0* and *DS-1* loops?

A. The model calculates the UNE provisioning costs of both DS-0 and DS-1 facilities as described above for each central office in the state of Florida served by the largest LECs (Bellsouth, Verizon, and Sprint). A weighted average cost for each MRC and NRC is computed by multiplying the central office specific result by the percentage of access lines in that central office. The weighted average cost of a DS-1 loop is then divided by the weighted average cost of a *DS-0* loop.

Q. What is the economic crossover result produced in the model.

A. The model results indicate that up to 12 DS-0s at a customer's location, purchasing individual loops is more cost effective than purchasing a single DS-1. Above 12 DS-0s, the DS-1 becomes the more cost effective means of providing service to the customer.

Q. Does this conclude your testimony?

A. Yes.

TRO Economic Business Case
DS0 to DS1 Cross Over

State = Florida
Company = State

A	B	C	D	E	F
Row	Description	DS1 + Channel Bank	DS0	Cross-Over DS0 Quantity	Cross-Over Rounded DS0 Quantity
10	Weighted Average				
11	MRC	$178.28	$17.14		
12	NRC - Ammortized	$41.42	$1.51		
13	Total	$219.70	$18.66	11.78	12
14					

Summary

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February 2, 2004

BY HAND DELIVERY

Kristi Izzo, Secretary
Board of Public Utilities
State of New Jersey
Two Gateway Center
Newark, NJ 07102

Re: In the Matter of the Implementation of the Federal Communications Commission's Triennial Review Order
BPU Docket No. TO03090705

Dear Secretary Izzo:

As directed by Order of the Board of Public Utilities in the above-referenced matter, AT&T Communications of NJ, L.P. ("AT&T"), is hereby filing an original and ten copies of the **Public** version of the testimony (including supporting materials) of the following witnesses:

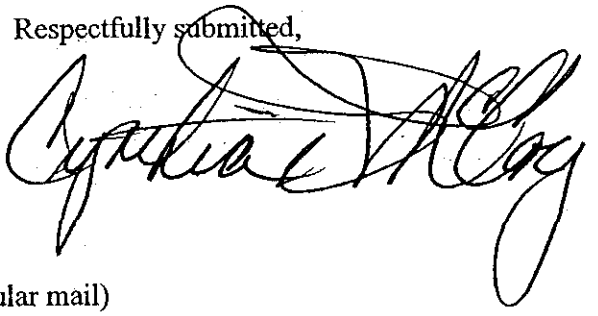
John Mayo
Robert J. Kirchberger and E. Christopher Nurse

The testimony containing proprietary information and proprietary exhibits is only being provided to parties who have executed the proprietary agreement.

As the Board is aware, there are numerous discovery disputes outstanding and discovery is ongoing. Thus, to the extent further relevant information is produced,

AT&T reserves the right to supplement its testimony as necessary and appropriate to provide the Board a full and complete record.

Respectfully submitted,



Enclosures

cc: Attached Service List (by e-mail and regular mail)

BEFORE THE
NEW JERSEY
BOARD OF PUBLIC UTILITIES

DIRECT TESTIMONY OF

ROBERT J. KIRCHBERGER
AND
E. CHRISTOPHER NURSE

ON BEHALF OF
AT&T COMMUNICATIONS
NEW JERSEY, L.P.

BPU DOCKET TO0309705

PUBLIC VERSION

February 2, 2004

TABLE OF CONTENTS

competition have mounted sharply in recent months to as much as $5 billion per year.[97] Dr. Cooper has concluded, however, that "[t]he tremendous gains that competition and consumers have made recently will be short-lived if the incumbent carriers succeed in undermining UNE-based competition, and forcing weakened competitive carriers to build redundant telecommunications networks. If this happens, it will spell the end of local phone competition, and the real savings being enjoyed by consumers across the country will disappear."[98] These benefits can be expected to grow substantially in the future – but only if UNE-P is permitted to continue. Restricting the availability of unbundled mass market switching now would eliminate those benefits and further entrench – and expand – VNJ's monopoly.

The Board can adopt VNJ's proposal that customers, rather than regulators, decide whether they want to be served with multiple unbundled loops at a single location; there is no need to mandate a fixed DS0/DS1 "crossover" point.

Q. WHAT IS VNJ'S PROPOSAL REGARDING THE DS0/DS1 CROSSOVER POINT?

A VNJ witnesses West and Peduto argue at pages 15 to 17 of their direct testimony that the Board need not establish any particular cutoff point at all. Rather, they contend (at 16), that "[t]he objective behavior of the CLEC should drive the determination of whether it 'makes economic sense' for that CLEC to serve

[97] Consumers Federation of America, "Competition at the Crossroads: Can Public Utility Commissions Save Local Phone Competition?" at p. 7 (Oct. 7, 2003) ("CFA Report"). This calculation does not include savings for consumers who have not taken bundles, but have switched providers. A copy of the report can be found online at http://www.consumerfed.org/unep_200310.pdf.

[98] Consumer Federation of America Press Release, "Study Shows Incumbents' Arguments for Higher Wholesale Prices, Reduced Access to UNEs Don't Stand Up to Scrutiny," Oct. 7, 2003. A copy of this release can be accessed online at http://www.consumerfed.org/pr10.07.03.html.

particular customers over DS1 loops, rather than over multiple voice grade DS0 lines." Continuing, these witnesses state (at 16): "If a CLEC is currently serving a customer *using DS0 loops – regardless* of how many – it has already made the determination on its own that it is most economical to serve the customer as a mass-market customer, rather than as a DS1 enterprise customer. In other words, if it made 'economic sense' to serve the customer over a DS1 loop, then the CLEC would, in fact, be doing so. This objective test is much more reliable, and grounded in the realities of the marketplace, than an arbitrary 'cutoff' at a particular number of lines, regardless of whether the customer is actually being served as a DS1 customer."

Put simply, VNJ's position appears to be that it is the CLECs (and by necessary inference their customers) who determine whether a customer is "mass market" or "enterprise," depending upon whether the customer is to be served over DS0 or higher capacity loops.[99] There is no need, according to VNJ, for the Board to establish a fixed DS0/DS1 crossover point. Instead, VNJ's proposal is that each CLEC (and its customers) that determine their own crossover points based on their own business needs. We term this the "Self-Decided" market definition as between the mass market and enterprise markets.

[99] Although Verizon focuses on the CLEC's supposed "choice," in fact customers principally make these decisions. It is they who must decide whether they want to allow new CPE to be deployed at their premises and whether they are willing to go through the cutover of their service from DS0 loops to higher capacity facilities.

Q. IF THE BOARD ADOPTS VNJ'S PROPOSAL TO "DETERMINE THE APPROPRIATE CUT-OFF FOR MULTILINE DS0 CUSTOMERS" (TRO ¶ 497) AS BEING "SELF-DECIDED," SHOULD THAT SAME DEFINITION APPLY FOR ALL OTHER MARKET DETERMINATIONS REQUIRED UNDER THE TRO?

A. Yes. The TRO (at ¶ 495) provides that "[T]he state commission must use the same market definitions for all of its analysis."

Q. WHAT IMPACT WOULD VNJ'S MARKET DEFINITION HAVE, FOR EXAMPLE, ON A CLEC'S ABILITY TO OBTAIN MULTIPLE UNE-P ARRANGEMENTS AT A SINGLE LOCATION?

A. Under VNJ's "Self-Decided" approach to the mass market definition, a CLEC would be able to provision as many UNE-P arrangements at a single location as the CLEC found to be economically and/or operationally feasible. It would be entirely the CLEC's (and its customer's) decision.

This would override the FCC's tentative suggestion in its *UNE Remand Order* that, under certain conditions, an ILEC might be relieved of its obligation to make UNE-P lines available at locations served by four or more lines in density zone one in the top 50 Metropolitan Statistical Areas (MSAs).[100] As the TRO explains, where the states utilize their authority "to determine the appropriate cross over point" the UNE Remand Order's suggested four-line limitation would not apply. (TRO ¶ 497 and Footnote 1546)

This would not be a change for VNJ. Although the UNE Remand Order afforded it the opportunity to do so, VNJ to date has not enforced any limits on the number of UNE-P arrangements a CLEC could obtain at an individual location. Under the "Self-Decided" market definition that VNJ proposes here,

[100] In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, Third Report and Order and Fourth Further Notice of Proposed Rulemaking ("UNE Remand Order"), Decision FCC 99-238, released November 5, 1999, ¶ 278 and 281.

that would continue to be the case. However, VNJ should not be allowed to manipulate its proposal to support a claim that if a CLEC serves only a market niche of multi-line business customers it may be found to be a viable trigger firm under the trigger analysis.

Q. IS VNJ'S PROPOSAL FOR A "SELF-DECIDED" CROSSOVER POINT WARRANTED BY THE FACTS?

A. Yes. Even a simplified analysis shows that the appropriate cross-over point between DS0 and DS1 loops is sufficiently high such that there is no practical need for the Board to draw a line at some arbitrarily low number.

Q. IF NONETHELESS THE BOARD DECIDES TO ESTABLISH A CROSSOVER POINT, HAVE YOU ESTIMATED WHAT THE CROSSOVER POINT SHOULD BE?

A. A conservative and simplified comparison was made of the cost of providing multiple DS0 UNE-loops with the costs of serving that customer with a DS-1 UNE-loop. This type of comparison was contemplated by the FCC in Footnote 1544 of the TRO but did not take into account all costs that a CLEC will incur in provisioning a multi-line customer by means of a DS1 facility. For New Jersey, this conservative and simplified comparison shows that the crossover would be a Statewide weighted average of not less than 12 lines. The cost study methodology and inputs used in the calculation for this comparison appear in Exhibit 17 to this testimony.

Q. WHY DID YOU STATE THAT YOUR COMPARISON WAS CONSERVATIVE AND SIMPLIFIED?

A. The analysis only compared the costs a CLEC would incur in serving a multiple-line customer using DS0 loops versus using a DS1 loop and providing associated customer premises equipment. The study did not include the additional costs of

marketing and engineering. Looking at those and other economic factors would indicate an even higher crossover point.[101] It should also be noted that the nominal Statewide average of 12+ lines, when increased to account for the other factors, is generally consistent with the 19-line limit that has been in place in New York for the last several years. If the Board concludes that a fixed crossover level should be established, despite the contentions of both VNJ and AT&T that there should be no fixed limit, the level should be set sufficiently high so that, as practical matter, CLECs can continue to choose, based upon the totality of circumstances related to serving each multiple-line customer, whether it is economic to provide service using DS0 loops or a DS1 loop.

Q. PLEASE DESCRIBE YOUR COST-COMPARISON ANALYSIS.

A. A CLEC will incur substantial non-recurring and recurring and investment costs in deciding to serve a customer by means of DS1-service. This is partly due to the fact that it generally costs a CLEC roughly the same to serve a customer with a DS1-based facility whether the customer has one voice-grade-equivalent line or twenty-four.[102] By contrast, a CLEC's costs to order and provision DS0 UNE-Loop service include no CPE investment. Further, a CLEC's monthly recurring costs are directly related to the number of loops served at a location.[103] For

[101] A CLEC must incur substantial costs to backhaul customer lines to the CLEC's switch that an ILEC does not face. Unlike a CLEC seeking to use the UNE-L architecture, the ILEC connects its loops and switching using a simple, inexpensive copper wire pair cross-connection in the central office where its loops terminate. Thus, the ILEC's backhaul "network" consists of only a short pair of jumper wires.

[102] A DS1 loop can serve up to 24 voice grade equivalents.

[103] A CLEC that provides a customer with service using UNE-L will certainly incur some non-recurring expenses for activities such as creating an internal order once the customer has agreed to subscribe to the CLEC's service and submitting an order to the ILEC. However, those expenses would also occur if the CLEC served the customer using a DS1 based service. To simplify the analysis, CLEC costs to order either UNE-L or DS1 loops are excluded from the analysis.

example, if an ILEC's wholesale rate for a DS0 UNE-L service is between $9.70 and $12.50 per line per month, then the purchasing CLEC's total monthly loop cost to serve its retail customer with five UNE-L lines is between $48.50 and $62.50. The simplified cost analysis calculates the total monthly loop cost to sell, install, and maintain a DS1-based service at a customer's location and then divides that result by the monthly UNE-L costs of serving that same customer. This result, rounded to the next higher whole number, yields the number of UNE-L lines at which the CLEC should be economically indifferent as to whether DS0 loops or a DS1 loop is used to provide service, all else being equal. The simplified cost study only considered the costs of providing service by means of a DS1 from the customer's location to the CLEC's collocation arrangement at the ILEC's central office.

Q. HOW DOES YOUR COST ANALYSIS ACCOUNT FOR THE DIFFERENT UNE RATE ZONES IN THIS STATE?

A. The costs for a DS1-capable loop and a DS0 UNE-L line can vary substantially by rate zone. For the sake of simplicity and administrative efficiency, the cost analysis develops a weighted average of the crossover points for the individual zones based upon the percentage of loops that are found in each zone.

Q. HAS THE FOUR-LINE LIMIT PRESENTED IN THE UNE REMAND ORDER BEEN IN EFFECT IN THIS JURISDICTION?

A. No. To the best of our knowledge, the limit has never been imposed in VNJ's eastern region, encompassing the former Bell Atlantic and NYNEX states and the District of Columbia. Apparently, VNJ has not been harmed by the lack of "cut-off" limits, as evidenced by its inaction.

Q. SHOULD THE BOARD MAKE AN AFFIRMATIVE FINDING THAT THERE SHOULD BE NO FIXED CUT-OFF NUMBER OF UNE-P LINES THAT MAY BE AVAILABLE TO A CLEC TO SERVE A CUSTOMER IN A GIVEN LOCATION?

A. Yes. As VNJ appears to agree, the absence of a fixed "cut-off" level for obtaining UNE-P lines has allowed CLECs to determine, on a case-by-case basis, where the true economic crossover point is in serving each multi-line customer. The establishment of any fixed "cut-off" level creates the risk that multi-line customers currently subscribing to a greater number of DS0 lines, and therefore having the opportunity to choose from among numerous carriers offering DS0-based service, will find themselves with no competitive alternative to ILEC-provided service. While the Board can use its regulatory power to protect captive customers from the effects of an absence of market forces, it is far better to allow market forces to discipline prices and induce service quality improvements, as occurs when customers have meaningful choices of service providers. For these reasons, the Board should affirmatively find that there should be a variable, and not a fixed cut-off of UNE-P lines, and thereby preserve the status quo. Alternatively, if the Board decides to establish a cut-off, the level should be sufficiently high so as to minimize the adverse impact upon customers.

The Pace Coalition, et al.
October 4, 2004
Exhibit 24

AFFIDAVIT

STATE OF GEORGIA

COUNTY OF FULTON

BEFORE, ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Mark Argenbright, who being by me first duly sworn, deposed and said that:

He is appearing as a witness before the Alabama Public Service Commission in Docket. No. 29054 on behalf of AT&T Communications of South Central States, LLC., and if present before the Commission and duly sworn, his Rebuttal testimony would be set forth in the annexed testimony consisting of 10 pages and 1 exhibit (s).

SWORN TO AND
SUBSCRIBED BEFORE ME
THIS 3rd DAY
OF March, 2004.

NOTARY PUBLIC

My Commission expires:

Notary Public, Gwinnett County, Georgia
My Commission Expires Jan .21, 2005

BEFORE THE
ALABAMA PUBLIC SERVICE COMMISSION

In Re:	)	
	)	
IMPLEMENTATION OF THE FEDERAL COMMUNICATIONS COMMISSION'S TRIENNIAL REVIEW ORDER (PHASE II - LOCAL SWITCHING FOR MASS MARKET CUSTOMERS)	)	**DOCKET 29054**
	)	**Filed: March 5, 2004**

REBUTTAL TESTIMONY AND EXHIBITS OF

MARK E. ARGENBRIGHT

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTH CENTRAL STATES, LLC

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Mark E. Argenbright. My business address is 1200 Peachtree St. NE, Suite 8200, Atlanta, GA 30309.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by AT&T Corp. and hold the position of District Manager, Law and State Government Affairs, providing support for AT&T's regulatory advocacy in the nine states that make up AT&T's Southern Region.

Q. PLEASE SUMMARIZE YOUR TELECOMMUNICATIONS BACKGROUND AND EDUCATION.

A. I graduated from the University of Montana in 1980 and have a Bachelor of Science Degree in Business Administration. I have worked in the telecommunications industry for over 17 years with 15 of those years in the area of regulatory affairs. Prior to being employed by AT&T, I was employed by WorldCom, Inc from 1994 to 2002 with multiple responsibilities including development and coordination of various of the company's regulatory and public policy initiatives for the company's domestic operations. This included acting as a witness in support of such initiatives. Prior to that, I was employed by the Anchorage Telephone Utility (now known as Alaska Communications Systems) as a Senior Regulatory Analyst and American Network, Inc. as a Tariff Specialist.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. No.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. To respond to the proposal by BellSouth witness Mr. Ruscilli regarding the appropriate crossover point for use in delineating between mass market customers and enterprise customers in Alabama and to provide an alternative proposal based on the general formula described by CompSouth witness Mr. Gillan.

Q HOW IS YOUR TESTIMONY STRUCTURED?

A. I will first address the BellSouth proposal and how if fails to consider the direction given by the FCC with regard to the calculation of a crossover point. I will then review the formula described by CompSouth's Mr. Gillan in his direct testimony. Consistent with this formula, I will then propose a more suitable crossover point. Finally, I will describe the calculation, which utilizes a model introduced by Sprint in the state of Florida for the purpose of calculating the crossover point, utilizing Alabama specific inputs.

Q. AT PAGE 8, LINES 10 THROUGH 15, BELLSOUTH WITNESS RUSCILLI INDICATES THAT THE APPROPRIATE CROSSOVER POINT WITH WHICH TO DELINEATE BETWEEN "MASS MARKET" AND "ENTERPRISE" CUSTOMERS IS "THREE OR FEWER DSO LINES." DO YOU AGREE?

A. No. As explained in the direct testimony of CompSouth's Mr. Gillan, the calculation of a crossover results in establishment of the upper boundary of the mass market in terms of the number of voice lines a customer may have before the customer should be viewed as an enterprise customer. Mr. Ruscilli's suggestion that a crossover point of three lines is appropriate fails to consider the

FCC's primary direction that a crossover calculation consider the point at which it is more economical for a customer to be served with a DS1 instead of multiple DS0 loops.

In fact Mr. Ruscilli misquotes the FCC's Order in this regard. Citing to ¶497 of the TRO, Mr. Ruscilli indicates that the FCC's direction is "to define the cross-over point as 'where it makes sense for the multi-line customer to be served via a DS1 loop.'" The FCC's actual direction is clear when ¶497 is cited accurately:

> "This cross over point may be the point where it makes ***economic*** sense for a multi-line customer to be served via a DS1 loop." [emphasis added]

Failure to consider the point at which it makes more "economic sense" to serve a customer with a DS1 rather than multiple DS0s does not comply with the direction given by the FCC.

Q. **IN MR. GILLAN'S DIRECT TESTIMONY, BEGINNING AT PAGE 26, LINE 6 THROUGH PAGE 27, LINE 7, HE DESCRIBES A GENERAL FORMULA WITH WHICH AN ECONOMIC CROSSOVER POINT COULD BE CALCULATED. PLEASE SUMMARIZE THIS FORMULA.**

A. CompSouth's witness Mr. Gillan proposes, and, as a member of CompSouth, AT&T supports, a "straightforward calculation" whereby the cost of a UNE DS1 is compared to the cost of multiple UNE analog loops in order to make a determination as to when, in terms of the number of UNE analog loops, it is more economical to serve a customer with a DS1. The cost of a UNE DS1 must also

include the customer premise equipment that is required to utilize DS1 service as well as all the costs of non-recurring activities and installation of such equipment.

CompSouth's Mr. Gillan illustrates the calculation as follows:

$$\text{Crossover} = \frac{\text{(CPE + UNE DS-1)}}{\text{UNE Loop}}$$

The costs, recurring and non-recurring, associated with acquiring the UNE DS-1 and UNE Loop facilities from the incumbent must be included in the calculation.

The use of such a formula will result in the determination of the number of analog lines at which it is more economical to serve a customer with a DS1, which is the crossover point. AT&T, as a member of CompSouth, supports CompSouth's proposed approach.

Q. DOES COMPSOUTH'S WITNESS DISCUSS OTHER FACTORS THAT COULD BE APPROPRIATE TO CONSIDER IN THIS ANALYSIS?

A. Yes. At page 27, lines 3 through 7, CompSouth's Mr. Gillan explains that the above formula could be made more complicated by including other costs that would be incurred with the use of UNE-L. "…(such as collocation and backhaul) that are not incurred to use UNE-P." AT&T agrees with CompSouth's Mr. Gillan that there are additional costs that could be added to the analysis however, as a member of CompSouth, AT&T supports the straightforward approach and formula proposed by CompSouth's Mr. Gillan.

Q. IN ALABAMA, WHAT IS THE APPROPRIATE CROSSOVER FOR MULTI-LINE ANALOG LOOP CUSTOMERS WHERE IT BECOMES MORE ECONOMIC TO SERVE A MULTI-LINE CUSTOMER WITH A DS1?

A. Exhibit MEA-1, attached to my testimony, calculates the average economic crossover a competitive local provider would experience in serving an analog customer in the BellSouth territory within the state of Alabama based on the number of analog voice lines used by the customer.

The results of this calculation indicate that, up to 12 DS0s at a customer's location, purchasing individual loops is more cost effective or economic than purchasing a single DS1.

Q. WHAT IS THE SOURCE OF THIS CALCULATION?

A. Sprint Communications, in Florida, filed a model that calculated an economic crossover specific to the State of Florida.[1] This same model has been populated with some Alabama specific inputs and now calculates a specific and reasonable economic crossover point for Alabama, which is consistent with the economic crossover calculation proposed above.

Q. WHY DO YOU FIND SPRINT'S MODEL A REASONABLE METHOD FOR THE DETERMINATION OF THE ECONOMIC CROSSOVER POINT BETWEEN MASS MARKET AND ENTERPRISE CUSTOMERS?

A. Sprint is an established ILEC with significant experience in providing service to both multiple DS0 served customers as well as DS1 served customers. Their experience and related data provide a reasonable proxy for the circumstances that would be faced by a CLEC in Alabama. Further, their model is consistent with the general calculation described by CompSouth witness Gillan in his direct testimony and summarized above.

Q. WHAT ARE THE COST COMPONENTS IN THE ECONOMIC COST CROSSOVER MODEL FOR THE PROVISION OF SERVICE OVER A DS1 FACILITY?

A. This model includes the monthly recurring charges of the unbundled network element DS1 loops, the unbundled network element non-recurring charges for DS1 loops, and the monthly costs of a channel bank installed at the customer's premises used to multiplex multiple voice channels onto a DS1 loop facility.

Q. WHAT ARE THE COST COMPONENTS IN THE ECONOMIC COST CROSSOVER MODEL FOR THE PROVISION OF SERVICE OVER A DS0 FACILITY?

A. The model includes the monthly recurring charges of the unbundled network element DS0 loops and the non-recurring charges for unbundled network element DS0 loops. The non-recurring charges reflect the charges for the initial DS0 loop and each additional loop ordered.

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[1] Direct Testimony of Kent W. Dickerson, Docket No. 030851-TP, filed December 4, 2003.